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**Improving the financial situation of the United Nations**

# Financial situation of the United Nations

## Report of the Secretary-General

*Summary*

The present report reviews the financial situation of the United Nations as at 30 September 2016 and provides an update to the information presented in the previous report of the Secretary-General (A/70/433/Add.1).

The report focuses primarily on four financial indicators: assessments issued, unpaid assessments, available cash resources and the Organization's outstanding payments to Member States.

Overall financial indicators for 2016 were generally sound and positive, with the exception of the regular budget cash position. Regular budget cash is currently exhausted, and the related reserves are almost exhausted. Severe cash problems will be experienced in the final months of the year unless sufficient contributions are received. Cash balances are projected to remain positive for the international tribunals and peacekeeping operations. The level of outstanding payments to Member States for troops and formed police units and contingent-owned equipment reflects a significant decrease.

A significant amount of regular budget assessments remains unpaid. Given the limited reserves available, the financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time.

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# I. Introduction

1. The present report provides an update on the financial situation of the United Nations presented to the General Assembly by the Secretary-General in his previous report (A/70/433/Add.1). It mainly reviews the financial indicators as at 30 September 2016 and provides a comparison with the situations as at 2 October 2015 (see A/70/433) and 31 December 2015.

2. In the present report, the financial situation of the United Nations is considered on the basis of four main financial indicators that have been used to measure the strength of the Organization: assessments issued, unpaid assessed contributions, available cash resources and the Organization's outstanding payments to Member States.

# II. Review of the financial situation as at 30 September 2016

3. The financial situation as at 30 September 2016 reflects a decrease in the level of assessments issued for the regular budget and the international tribunals, and an increase for peacekeeping operations. Unpaid assessments were higher for the regular budget and peacekeeping operations and lower for the tribunals than they had been one year ago. The level of outstanding payments to Member States reflects a decrease compared with the level one year ago. Overall, the financial indicators for 2016 are positive, although the regular budget cash position during the last quarter of the year continues to be a major concern. The final outcome will depend largely on incoming contributions during the remaining part of the year.

## A. Regular budget

4. In 2016, assessments for the regular budget were issued at a level of $2.55 billion, $222 million lower than the level in 2015. Payments received by 30 September 2016 were lower, at $1.89 billion, compared with the amount of $2.25 billion received by 2 October 2015. Unpaid assessments at 30 September 2016 totalled $1.19 billion, which is $136 million above the level outstanding a year earlier.

5. As at 30 September 2016, 126 Member States had paid their regular budget assessments in full, which is two fewer than on 2 October 2015. The Secretary-General wishes to thank the 126 Member States that have honoured their obligations for the regular budget in full and urges the remaining 67 Member States to follow their example.

6. The amount of $1.19 billion that remained outstanding as at 30 September 2016 was highly concentrated among a few Member States. The final financial picture for 2016 will depend largely on the action taken by those Member States in the coming months.

7. Cash resources for the regular budget under the General Fund, into which assessed contributions are paid, include the Working Capital Fund, at the level of $150 million set by the General Assembly, and the Special Account, currently at a level of $201 million. At the end of 2013, 2014 and 2015, there were increasing

shortfalls of $31 million, $81 million and $217 million, respectively. Those shortfalls were covered by the Working Capital Fund and the Special Account. As at 30 September 2016, the cash shortfall was $344 million, which was also covered by the Working Capital Fund and the Special Account. Taking into account the reserves, a total of $7 million cash was available under the General Fund at the same date.

8. The regular budget experienced increasing cash shortfalls in July, August and September 2016. However, more severe cash problems will arise in the final months of 2016 unless sufficient contributions are received. The cash position will continue to be monitored closely. The final position at the end of 2016 will depend largely on the payments made by Member States in the coming months.

9. The overall level of available reserves (both the Working Capital Fund and the Special Account) is sufficient to cover only six weeks of regular budget operation. At 30 September 2016, those reserves were almost exhausted, with only $7 million remaining. Consequently, it would be prudent to review the adequacy of the level of reserves, in the light of the pattern of the payment of the assessed contributions of Member States and the level of commitment authority (financing without up-front assessment).

10. However, despite the liquidity problems that the Organization is facing with respect to the regular budget, as noted by the Board of Auditors in its most recent report on the financial statements of the United Nations (A/71/5 (Vol. I)), the financial health of the United Nations as a whole remains sound, as it has sufficient assets overall to meet both short-term and longer-term liabilities.

## B. Peacekeeping operations

11. The changing demand for peacekeeping activities makes it difficult to predict financial requirements. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than by calendar year; assessments based on applicable scale of assessment periods are issued separately for each operation; and, since assessment letters may be issued only through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between peacekeeping operations and the regular budget.

12. The unpaid amount for peacekeeping operations as at 30 September 2016 was $2.34 billion. A total of $10.3 billion has been assessed for peacekeeping operations in 2016. Contributions received so far in 2016 amount to $8.9 billion.

13. Owing to the unpredictable amount and timing of peacekeeping assessments throughout the year, it can be difficult for Member States to keep fully current with them. The Secretary-General therefore wishes to express special gratitude to the 25 Member States that by 30 September 2016 had paid all peacekeeping assessments that were then due and payable.

14. The amount of cash available for peacekeeping operations as at 30 September 2016 was approximately $5 billion, with $4.7 billion in the accounts of active

missions, $198 million in the accounts of closed missions and $139 million in the Peacekeeping Reserve Fund.

15. With regard to outstanding payments to Member States, the Secretariat has continued to make every effort towards minimizing the level of those payments. Outstanding payments amounted to $824 million at the end of 2015, and it is projected that the year-end level for 2016 will be $713 million, reflecting a significant decrease.

16. As at 30 September 2016, $126 million was owed to Member States for troops and formed police units. With regard to contingent-owned equipment claims, $376 million was owed for active missions and $86 million for closed missions. Those components add up to $588 million, reflecting a decrease compared with the level one year ago.

17. The related payment situation on 30 September 2016 was as follows:

(a) Payments for troops and formed police unit costs for all missions were current up to July 2016;

(b) Payments for contingent-owned equipment for all active missions were current up to June 2016.

18. The Secretary-General is committed to meeting obligations to Member States providing troops and equipment as expeditiously as possible. In that regard, the peacekeeping cash flow situation is being monitored closely, with a view to maximizing quarterly payments to Member States on the basis of cash and data availability. To do so, however, the Organization depends on Member States honouring their financial obligations in full and on time, and also on the expeditious finalization of memorandums of understanding with troop contributors for the provision of equipment.

## C. International tribunals

19. The international tribunals comprise the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals. The overall financial position of the tribunals remains generally sound in 2016. As at 30 September 2016, unpaid assessments for the tribunals amounted to $55 million, which was lower, by $14 million, than the amount outstanding on 2 October 2015.

20. As at 30 September 2016, 101 Member States had paid their assessed contributions to both tribunals and the International Residual Mechanism in full, which is 7 more than the number in 2015. The Secretary-General wishes to express his appreciation to the 101 Member States that have met their obligations in full, and urges other Member States to pay their contributions to the international tribunals in full and on time.

21. The month-by-month position of cash balances for the tribunals were positive in 2014, in 2015 and, so far, in 2016, and are expected to remain solid through the year's end. The final position will depend on incoming payments from Member States during the final months of 2016.

## D. Capital master plan

22. A total of $1.87 billion was assessed under the special account for the capital master plan. As at 30 September 2016, the bulk of the assessed contributions had been received, with $49,716 still outstanding from four Member States.

# III. Conclusions

23. The Secretary-General wishes to pay special tribute to the following Member States that had paid their assessments that were due and payable in full as at 30 September 2016, namely: Armenia, Australia, Benin, Canada, Chad, China, Côte d'Ivoire, Denmark, Georgia, Germany, Ireland, Israel, Kyrgyzstan, Latvia, Liechtenstein, Micronesia, Monaco, the Netherlands, New Zealand, Saint Kitts and Nevis, Senegal, Sierra Leone, Singapore, Sweden and Switzerland. Payments received after 30 September 2016 resulted in the addition of Finland to the list, bringing the total, at the time of reporting, to 26 Member States.

24. Cash positions are currently positive for all categories except the regular budget. Regular budget cash is at very low levels, and regular budget reserves (the Working Capital Fund and the Special Account) are almost exhausted. More severe cash problems will be experienced in the final months of the year unless sufficient contributions are received.

25. Currently, unpaid regular budget assessments remain at a significant level. New rates of assessment went into effect on 1 January 2016. By 30 September 2016, 126 Member States had already paid in full for the regular budget. The remaining Member States are urged to pay their regular budget contributions in full as soon as possible.

26. On the basis of the level of peacekeeping cash, the Secretariat continues to make every effort to expedite outstanding payments to Member States providing troops and formed police units and contingent-owned equipment. The level of outstanding payments to Member States is currently $588 million, reflecting a significant decrease in 2016 levels.

27. Given the limited reserves available, the financial health of the Organization continues to depend on Member States meeting their financial obligations in full and on time.